

Congress of the United States

Washington, DC 20515

December 18, 2009

The Honorable Timothy F. Geithner
Secretary of Treasury
U.S. Department of Treasury
1500 Pennsylvania Avenue, NW
Washington, D.C. 20220

Dear Secretary Geithner,

As members of the New Democrat Coalition, we write to you today in support of measures that will help provide much needed capital to our nation's struggling small businesses. New Dems have long been committed to policies that empower the U.S. to grow economically and maintain a vibrant job market while adhering to fiscally responsible policies that reduce our nation's debt.

Last year, New Dem Members overwhelmingly supported the Troubled Asset Relief Program (TARP) because it was vitally necessary to stave off a collapse of our nation's financial system, which would have crippled every American who uses a credit card, has a car or college loan, runs a business or is employed by one. We continue to see evidence that our financial system has been stabilized, but to date it appears that small and medium sized businesses on Main Streets throughout the United States continue to struggle to access capital from this system to create new jobs.

This presents a significant challenge for a complete recovery of the economy and employment because of the important role these businesses play in job creation. As you are aware, 64 percent of the net new jobs over the past 15 years have been created by small businesses, and those businesses employ more than half of American workers. Yet throughout the current economic recession, each of us has heard from these businesses which, due to a lack of credit, continue to struggle and are unable to invest in inventory, employees, or growth. Recently, these concerns have seemed to grow worse.

While we want banks to improve their strength and overall health, the loss of available credit caused by banks rebuilding capital and the disappearance of the shadow lending system is crippling businesses and the capacity of our economy to create new jobs.

We believe there is need for a targeted, fiscally responsible program that will jumpstart small business lending without harming the capital position of our banks, and that we should simultaneously begin work on paying down our growing national debt. We suggest that the following steps be taken towards addressing these two essential objectives.

First, we propose that Treasury re-obligate a portion of existing unused TARP funds to create a loan pool specifically for small business lending. If \$40 billion were pooled and used to leverage an additional \$5 to \$10 billion from participating banks, an additional \$50 billion in credit could be made available very quickly.

Individual banks would be required to place some of their own money at risk, perhaps accounting for 10% or 20% of each loan, and should be responsible for the first dollar of loss, in order to further compel these institutions to make responsible lending decisions and maximize the potential impact of this loan pool. All financially sound banks would be eligible to participate and be incentivized to do so through fees and interest generated by the loans. However, community banks would be uniquely competitive in this program because they have excelled in maintaining small business lending capabilities and are more likely to know the entrepreneurs, business owners and customers within their communities.

We believe government funds should remain off balance sheets so banks cannot use the funds simply to bolster their own capital. Additionally, funds should be time-limited and restricted to operating companies – not real estate development companies – which will ensure that these funds quickly reach those business owners who need it most. We believe it may also be useful to set any loan limits well above those used by the SBA in order to ensure that businesses too large for SBA but too small to directly access credit markets will have access to desperately needed funding.

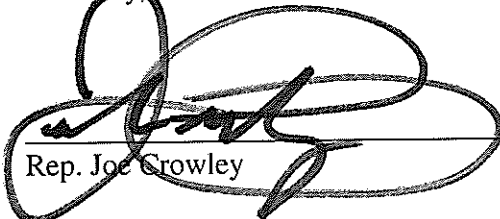
Banks that are awarded management of loan pool funds should make individual lending decisions, subject to fraud prevention oversight. Treasury would serve as the primary sponsor of the program, but rely upon SBA and Federal banking regulators for technical advice, oversight and delivery capability.

To ensure independence, we request that you include appropriate protections to prevent political interference in lending decisions.

Second, following the aforementioned investment in small businesses and job creation, we propose that the bulk of remaining un-obligated TARP funds, along with those being repaid by financial institutions, be used to reduce the federal deficit. The Treasury Department's own estimates have suggested that almost \$200 billion could be available in the coming months for deficit reduction following the obligation of TARP funds to small business lending. Doing so would send a strong signal about our nation's commitment to fiscal responsibility and represent an important first step in reducing our debt burden, which in turn, poses serious long-term economic challenges to individuals and American families.

It is essential that we expeditiously and prudently take steps to address two of the most pressing issues facing our nation and the fragile economic recovery, job creation and deficit reduction. We believe that paying down the deficit with unused TARP funds, and enabling an additional \$50 billion in loans to small businesses while utilizing our community banks, would both refocus the TARP to directly and substantially help small and medium size businesses, lead to more job creation in communities of all sizes, and set us on a course to fiscal and economic sustainability. We stand ready to assist you and the Treasury Department as policies are implemented to meet our nation's continuing economic needs.

Sincerely,




Rep. Joe Crowley



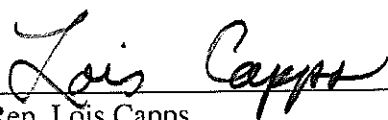
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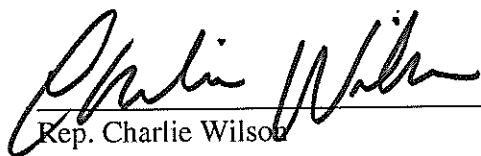
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Rep. Rick Larsen



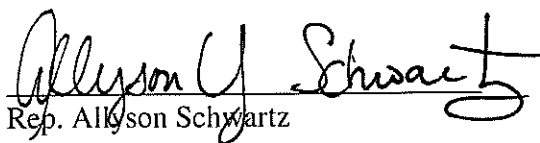
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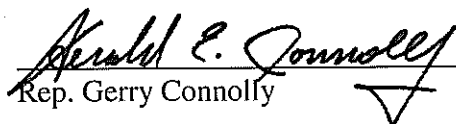
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